



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BOYLE COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

April 20, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOYLE COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

April 20, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Boyle County Sheriff as of April 20, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected net taxes of \$10,028,856 for the districts for 2000 taxes. The Sheriff distributed taxes of \$10,007,270 to the districts for 2000 Taxes. Taxes of \$14 are due to the districts from the Sheriff and refunds of \$4 are due to the Sheriff from the taxing districts.

Debt Obligations:

None.

Report Comment:

Lack Of Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Subsequent Events:

None.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2000 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Honorable Karl Luttrell, Boyle County Sheriff

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the Boyle County Sheriff's Settlement - 2000 Taxes as of April 20, 2001. This tax settlement is the responsibility of the Boyle County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boyle County Sheriff's taxes charged, credited, and paid as of April 20, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lack Of Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 20, 2001

BOYLE COUNTY
KARL LUTTRELL, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

April 20, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 534,501	\$ 1,028,186	\$ 5,181,231	\$ 1,426,383
Tangible Personal Property	75,531	189,755	599,011	661,768
Intangible Personal Property				177,231
Inventory-In-Transit		91,637	125,785	
Fire Protection	292			
Increased Through Erroneous Assessments	491	699	4,461	5,052
Franchise Corporation	44,260	89,495	368,838	
Additional Billings	3,209	4,352	28,103	9,378
Limestone, Sand, and Mineral Reserves	63	87	686	168
Penalties	3,555	6,896	32,584	9,211
Adjusted to Sheriff's Receipt	139	(108)	(1)	12
Gross Chargeable to Sheriff	<u>\$ 662,041</u>	<u>\$ 1,410,999</u>	<u>\$ 6,340,698</u>	<u>\$ 2,289,203</u>
<u>Credits</u>				
Exonerations	\$ 2,795	\$ 4,504	\$ 25,370	\$ 14,745
Discounts	9,756	21,506	94,599	37,748
Delinquents:				
Real Estate	8,634	14,920	87,586	22,966
Tangible Personal Property	455	690	3,498	3,090
Intangible Personal Property				963
Total Credits	<u>\$ 21,640</u>	<u>\$ 41,620</u>	<u>\$ 211,053</u>	<u>\$ 79,512</u>
Net Tax Yield	\$ 640,401	\$ 1,369,379	\$ 6,129,645	\$ 2,209,691
Less: Commissions *	<u>27,505</u>	<u>45,315</u>	<u>153,241</u>	<u>94,199</u>
Net Taxes Due	\$ 612,896	\$ 1,324,064	\$ 5,976,404	\$ 2,115,492
Taxes Paid	611,439	1,321,885	5,962,940	2,111,006
Refunds (Current and Prior Year)	<u>1,456</u>	<u>2,182</u>	<u>13,455</u>	<u>4,483</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 1</u>	<u>** (3)</u>	<u>\$ 9</u>	<u>\$ 3</u>

BOYLE COUNTY
KARL LUTTRELL, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
April 20, 2001
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	3,813,060
2.50% on	\$	6,129,645
1% on	\$	396,411

** Special Taxing Districts:

Library District	\$	(4)
Health District		<u>1</u>

Due District or (Refund Due Sheriff)	\$	<u><u>(3)</u></u>
--------------------------------------	----	-------------------

The accompanying notes are an integral part of the financial statement.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT

April 20, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 20, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)
April 20, 2001

Note 3. Property Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2000 through April 20, 2001.

Note 4. Interest Income

The Boyle County Sheriff earned \$24,016 as interest income on 2000 taxes and distributed portions to the common school district, the graded school district, and the Sheriff's fee account. As of November 20, 2001, the Sheriff owes \$96 in interest to the common school district. The graded school district owes the Sheriff \$30 in interest to his tax account and the Sheriff's fee account owes the tax account \$324.

Note 5. Sheriff's 10% Add-On Fee

The Boyle County Sheriff collected \$33,235 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of November 20, 2001, the Sheriff owes \$15 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Boyle County Sheriff collected \$1,422 of advertising costs and \$1,854 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs and the advertising fees will be used to operate the Sheriff's office.

Note 7. Bond Coverage

KRS 134.320 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond is meant to cover all tax monies on hand in the Sheriff's office. The Sheriff's county revenue bond was \$610,000, the amount of which appears adequate to protect the county from potential loss.

COMMENT AND RECOMMENDATION

BOYLE COUNTY
KARL LUTTRELL, SHERIFF
COMMENT AND RECOMMENDATION

April 20, 2001

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish controls over the assets of his office.

Sheriff Luttrell's Response:

We have hired a new office clerk to assist with the tax collection and fee account duties.

PRIOR YEAR:

The following prior year finding had been corrected in the current year:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Boyle County Sheriff's Settlement - 2000 Taxes as of April 20, 2001, and have issued our report thereon dated November 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boyle County Sheriff's Settlement - 2000 Taxes as of April 20, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lack Of Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 20, 2001

